

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 8002

BILL NUMBER: HB 1001

DATE PREPARED: Jan 17, 2001

BILL AMENDED:

SUBJECT: State Budget.

FISCAL ANALYST: Kathy Norris; Alan Gossard

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill appropriates state money for the biennium beginning July 1, 2001, and ending June 30, 2003. It also authorizes certain capital projects.

This bill also provides that the maximum amount of expenditures, transfers, or distributions that may be made from the Indiana Tobacco Master Settlement Agreement Fund during a state fiscal year is equal to 75% of the amount of money received or to be received by the state under the Master Settlement Agreement during that state fiscal year, plus any amounts that were available for expenditure, transfer, or distribution during preceding state fiscal years but that were not expended, transferred, or distributed.

The bill establishes certain existing trust funds as accounts within the Indiana Tobacco Master Settlement Agreement Fund. The bill also establishes the Regional Health Care Construction Account within the Indiana Tobacco Master Settlement Agreement Fund. The bill provides that this account is established for the purpose of providing state psychiatric hospitals and developmental centers, regional health centers, or other health facilities designed to provide crisis treatment, rehabilitation, or intervention for adults or children with mental illness, developmental disabilities, addictions, or other medical or rehabilitative needs.

The bill provides that beginning January 1, 2001, \$15,000,000 shall be transferred during each calendar year from the Indiana Tobacco Master Settlement Fund to the account. It provides that amounts appropriated for the Regional Health Care Construction Account shall be transferred before any other expenditures, transfers, or distributions are made from the Indiana Tobacco Master Settlement Agreement Fund. It also provides that any unspent balances in the 2000 appropriation from the Indiana Tobacco Master Settlement Agreement Fund for capital costs for community mental health centers do not revert until 2004. The bill also provides that \$3,100,000 is annually appropriated from the Indiana Tobacco Master Settlement Agreement Fund to the Local Health Maintenance Fund. (Current law provides for a \$2,370,000 annual appropriation from the state General Fund.)

This bill adds regional health facilities to the list of facilities covered by the State Office Building Commission provisions.

The bill provides that the Indiana War Memorials Commission may hire employees only with the approval of the Budget Agency. It provides that the Budget Director or the Budget Director's designee is a member of the Recreational Development Commission. It also provides that the state funds intercept provisions also apply to defaults by private holding corporations and public holding corporations. The bill provides that ISTEP program testing shall be administered in science beginning in school year 2003-2004 and social studies in school year 2004-2005. It provides that after all statutory transfers are made from the Counter-Cyclical Revenue and Economic Stabilization Fund, the Treasurer of State shall in June 2002 and June 2003 transfer any balance in the fund in excess of the June 30, 2001, balance to the state General Fund.

Effective Date: July 1, 2000 (retroactive); Upon passage; July 1, 2001.

Explanation of State Expenditures: This bill establishes the state budget appropriations for FY 2002 and FY 2003. Total appropriations are \$10,332.5 M for FY 2002 (a 2.8% increase over FY 2001) and \$10,561.3 M for FY 2003 (a 2.2% increase over FY 2002).

Of this amount, total operating appropriations are \$10,110.6 M for FY 2002 (a 3.3% increase over FY 2001) and \$10,323.5 M for FY 2003 (a 2.1% increase over FY 2002). Appropriations for capital projects represent \$221.8 M for FY 2002 (a 17.4% decrease from FY 2001) and \$237.8 M for FY 2003 (a 7.2% increase over FY 2002).

Appropriations from the General Fund and the Property Tax Replacement Fund are provided by functional category in the following table.

General Fund and Property Tax Replacement Fund: FY 2002-FY 2003.			
Functional Category	FY 2002	FY 2003	% Change
General Government	317,592,079	321,331,987	1.2%
Corrections	554,583,399	555,676,529	0.2%
Other Public Safety	112,420,418	112,378,429	0.0%
Conservation and Environment	97,991,042	96,746,659	-1.3%
Economic Development	71,810,742	72,189,117	0.5%
Transportation	1,104,363	1,136,429	2.9%
Mental Health	239,736,034	240,658,657	0.4%
Public Health	115,976,582	115,976,582	0.0%
Medicaid	1,131,170,506	1,201,156,402	6.2%
Family and Children	260,194,092	258,194,092	-0.8%
Social Services and Veterans	245,659,830	236,902,402	-3.6%
Higher Education	1,373,639,902	1,368,890,611	-0.3%
Education Administration	58,617,596	57,960,896	-1.1%
Tuition Support - Gen. Fund	1,911,965,705	1,945,515,705	1.8%
Tuition Support - PTR Funds	1,443,034,295	1,476,584,295	2.3%
Social Security - Teachers	2,403,792	2,403,792	0.0%
Teachers Retirement	435,400,000	472,000,000	8.4%
Other Local Schools	244,227,890	281,284,422	15.2%
Other Education	12,118,132	12,472,587	2.9%
PTR and Homestead Credits	1,325,168,117	1,330,219,107	0.4%
Distributions - Gen. Fund	26,850,488	27,521,749	2.5%
Subtotal - Operating	9,981,665,004	10,187,200,449	2.1%
Higher Education Construction	43,554,548	43,554,548	0.0%
Other Construction	172,573,945	172,573,945	0.0%
Subtotal - Capital Projects	216,128,493	216,128,493	0.0%
Grand Total	10,197,793,497	10,403,328,942	2.0%

Appropriations from dedicated and federal funds for the biennium and retroactive appropriations for FY 2001 are presented in the following table.

Dedicated, Federal, and Retroactive Appropriations: FY 2002-FY 2003.			
Functional Category	FY 2002	FY 2003	% Change
Build Indiana Fund (BIF)	0	0	
Other Dedicated - Operating	1,127,767,662	1,162,782,657	3.1%
Other Dedicated - Construction	35,149,126	35,149,126	0.0%
Tobacco Settlement	94,074,773	136,174,773	44.8%
Federal Funds	655,972,596	667,672,596	1.8%
Retroactive Appropriations	79,100,000	0	
Total Dedicated	1,992,064,157	2,001,779,152	

Tobacco Settlement Provisions: This bill provides for an increase in the amount of Indiana Tobacco Master Settlement Fund revenue that may be made available for expenditure, transfer, or distribution each year. The bill provides for an increase in two ways: first, the maximum amount that may be used is increased by changing the statutory percentage allowable from 60% to 75% annually. This percentage increase in the multiplier allows for the use of an additional \$23.6 M in FY 2002 and \$24.6 M in FY 2003. The second provision affecting the amount of Tobacco Funds that may be expended in the biennium allows amounts that were available for expenditure, transfer, or distribution in a prior year, but not expended, are available in the next year. Using existing forecast Tobacco revenue estimates, this would allow an additional \$41 M in Tobacco Funds to be available for appropriation and subsequent expenditure. (The current statute requires these funds to be transferred to the trust portion of the Master Settlement Fund.) These provisions increase the amounts that may be expended; conversely, they decrease the level of funds accumulating in the Master Settlement Fund and reduce the interest earnings potential of the trust correspondingly.

The bill also changes certain existing trust funds as accounts within the Indiana Tobacco Master Settlement Agreement Fund. These revisions are made for administrative purposes and have no fiscal impact.

The bill establishes the Regional Health Care Construction Account within the Indiana Tobacco Master Settlement Agreement Fund to provide funding for state psychiatric hospitals and developmental centers, regional health centers, or other health facilities to provide crisis treatment, rehabilitation, or intervention for adults or children with mental illness, developmental disabilities, addictions, or other medical or rehabilitative needs. The bill provides for a \$15 M transfer during each calendar year from the Tobacco Master Settlement Agreement Fund to the Regional Health Care Construction Account. The bill also requires that this transfer be made in total before any other required distributions and specifies that this transfer is exempt from the proportional reductions applied to all other distributions in the event of an unexpected shortfall in annual Tobacco Settlement revenues.

The bill provides for an annual distribution of Tobacco Settlement Funds to the Local Health Maintenance Fund in the amount of \$3.1 M. This increases the total amount to be distributed to Local Health Departments by \$330,000 each year. It also replaces an annual General Fund appropriation of \$2,370,000.

The provisions affecting the Indiana Tobacco Master Settlement Agreement Fund are summarized in the table below.

Code Provisions Affecting Tobacco \$	FY 2001	FY 2002	FY 2003
Increase in \$ Available for Expenditure (Increase Multiplier from 60% to 75%) Prior Year Available & Unexpended		23,680,600 41,048,518	24,597,230
Decrease in \$ Designated to Trust Fund (Decrease Multiplier from 40% to 25 %) Prior Year Available & Unexpended	(41,048,518)	(23,680,600)	(24,597,230)
Regional Health Care Construction Account	15,000,000	15,000,000	15,000,000
Local Health Maintenance Fund Decrease in General Fund Appropriation (I.C. 6-7-1-30.5) Increase in \$ to Local Health Maintenance		3,100,000 (2,370,000) 330,000	3,100,000 (2,370,000) 330,000

Regional Health Facilities: This bill adds regional health facilities to the types of facilities that the State Office Building Commission may own or lease. The impact of this bill on the Commission is unknown and will be partially determined by the number of regional health facility projects with which the Commission becomes involved.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See Explanation of State Expenditures, above.

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Sarah Carney, Department of Commerce (317) 232-8944; Jay McQueen, Department of Administration, (317) 232-7636.